



KENDRICK R. RIGGS
RECEIVED
DEC 15 2004
DIRECT DIAL 502-560-4222
DIRECT FAX 502-627-8722
PUBLIC SERVICE
COMMISSION
kriggs@ogdenlaw.com

1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KENTUCKY 40202-2874
(502) 582-1601
FAX (502) 581-9564
www.ogdenlaw.com

December 15, 2004

VIA HAND DELIVERY

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: **Application of Louisville Gas and Electric Company for an Adjustment of its Gas and Electric Rates, Terms and Conditions**
Case No. 2003-00433

Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Terms and Conditions
Case No. 2003-00434

Dear Ms. O'Donnell:

Enclosed please accept for filing two originals and five copies each of Louisville Gas and Electric Company's and Kentucky Utilities Company's Surreply in Opposition to Attorney General's Motion to Extend Deadline for Attorney General's Report in the above-referenced matters. Please confirm your receipt of these filings by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

Kendrick R. Riggs

KRR/ec
Enclosures
cc: Parties of Record

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR AN ADJUSTMENT) CASE NO. 2003-00433
OF THE GAS AND ELECTRIC RATES,)
TERMS AND CONDITIONS)

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ADJUSTMENT) CASE NO. 2003-00434
OF THE ELECTRIC RATES, TERMS AND)
CONDITIONS)

**SURREPLY IN OPPOSITION TO ATTORNEY GENERAL'S
MOTION TO EXTEND DEADLINE FOR ATTORNEY GENERAL'S REPORT**

The Companies tender this Surreply in opposition to the Attorney General's Motion to extend the deadline for the filing of the AG's report.

In his Reply, the AG focuses solely on his need to review AmEx credit card statements as justification for requesting an open-ended extension of time. Weeks ago, LG&E provided relevant credit card records and other documents evidencing the expenses the AG purports to be investigating. Subsequently, the AG issued a subpoena to American Express requesting every American Express record for every employee of LG&E and its affiliates. This demand resulted in the AG's receipt of an additional 15,000 pages of credit records of 300 LG&E employees, including expenses generated in connection with unregulated affiliates and other expenses that are completely irrelevant to this matter. The dubious relevance of the AmEx records prompted Judge Crittenden to enter the October 12, 2004 protective order severely restricting their use by the AG.

Providing an extension to the AG solely for the purpose of reviewing 300 employees' credit card records will do nothing to advance the Commission's investigation into whether these

Rate Cases were affected by collusion or *ex parte* contacts. LG&E has already produced credit card records, receipts, and related expense reports for the expenses the AG purports to be investigating. On multiple occasions, LG&E has offered to assist the AG in correlating these records and assisting with verifying their accuracy and completeness. The AmEx records, which contain the name of the merchant and the date and amount of each transaction, are useless to the AG except perhaps to cross-check the transactions already disclosed by LG&E – a task which should have been completed very quickly.

The AG’s request for an open-ended delay before completing his report appears to be another attempt to keep the investigation open indefinitely. The AG has stated that he not only must conduct a “thorough review” of these records, but also reserves the right to conduct a “follow up investigation.” [AG Reply, p. 2] Meanwhile, the AG continues to request additional documents from LG&E that do not even come within the scope of the Second Subpoena. These statements and actions foreshadow additional requests to toll the deadline indefinitely based on new document requests and other excuses for delay.

The Kentucky Supreme Court has said: “[p]ublic policy dictates [that public utility rate proceedings] not be unnecessarily prolonged.” Stephens v. Kentucky Utilities Company, Ky., 569 S.W.2nd 155, 158 (1978). Because the AG has failed to set forth a relevant factual basis for further delaying the filing of his report, his request for an open-ended extension of time should be denied.

Dated: December 15, 2004

Respectfully submitted,



Kendrick R. Riggs
OGDEN NEWELL & WELCH PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Telephone: (502) 582-1601

Elizabeth L. Cocanougher
Senior Regulatory Counsel
Louisville Gas and Electric Company
220 West Main Street
Post Office Box 32010
Louisville, Kentucky 40232
Telephone: (502) 627-4850

Robert M. Watt III
Stoll, Keenon & Park, LLP
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3000

Counsel for Louisville Gas and Electric
Company and Kentucky Utilities Company

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Surreply was served on the following persons on the 15th day of December 2004, U.S. mail, postage prepaid:

Michael L. Kurtz
David F. Boehm
Boehm Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, Ohio 45202

Joe F. Childers
Community Action Council and Kentucky
Association for Community Action, Inc.
201 West Short Street, Suite 310
Lexington, Kentucky 40507

Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204

Richard S. Taylor
Attorney at Law
225 Capital Avenue
Frankfort, Kentucky 40601

Lisa Kilkelly
Legal Aid Society, Inc.
425 West Muhammad Ali Boulevard
Louisville, Kentucky 40202

William H. Jones, Jr.
VanAntwerp, Monge, Jones & Edwards
1544 Winchester Avenue
Post Office Box 1111
Ashland, Kentucky 41105-1111

David A. McCormick
Regulatory Law Office (JALS-RL)
U.S. Army Legal Services Agency
901 North Stuart Street, Room 713
Arlington, Virginia 22203-1837

James W. Brew
Brickfield, Burchette, Ritts & Stone, PC
1025 Thomas Jefferson Street, N.W.
Eighth Floor, West Tower
Washington, DC 20007

David J. Barberie
Lexington-Fayette Urban Co. Government
Department of Law
200 East Main Street
Lexington, Kentucky 40507

Nathaniel K. Adams
General Counsel
North American Stainless
6870 Highway 42 East
Ghent, Kentucky 41045-9615

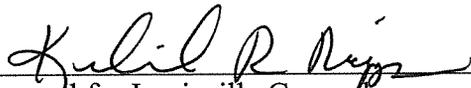
Iris Skidmore
Office of Legal Services, Division of Energy
Environmental & Public Protection Cabinet
Fifth Floor, Capital Plaza Tower
Frankfort, Kentucky 40601

David C. Brown
Stites & Harbison, PLLC
400 West Market Street, Suite 1800
Louisville, Kentucky 40202-3352

Pierce Whites
Deputy Assistant Attorney General
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

Todd E. Leatherman
Deputy Assistant Attorney General
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

Janet Graham
Deputy Assistant Attorney General
Office of the Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601



Counsel for Louisville Gas and
Electric Company and
Kentucky Utilities Company